Is making a profit the only social responsibility of a corporation?

Yes: The only social responsibility of a corporation is to maximize profits, distribute them to the shareholders and let the shareholders exercise their own good deeds (or not).

No: The social responsibility of a corporation includes following the corporation's mission statement as established by a board of directors. As directors are appointed to represent the shareholders, any aspect of a corporation's mission statement that pertains to social responsibility is expected to be in the interest of the shareholders.

Regardless of yes or no, corporate social responsibility should be free market driven rather than government enforced.

Before corporate social responsibility can be discussed, it must be understood that a corporation is owned by shareholders and thus represents and is subject to their interests. This is relevant to either potential position, as, before one can argue what a corporation's responsibilities are, one must understand the entity's identity.

Milton Freeman penned a classic statement of such a view in 1970 when he wrote to argue that executives are merely employees of shareholders. He wrote:

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society.

Even if one argues that corporate executives are not the employees of shareholders, doesn't Friedman's larger point remain? Executives are bound by a fiduciary duty to serve a single goal: maximizing shareholder wealth and that would seem to preclude them from running a business that serves their own ideals and vision[1]. Therefore, when one begins the argument over corporate social responsibility, one starts from the position that the actions of a corporation and its executives are representative of shareholders, regardless of what those actions are or should be.

John Mackey, in an argument for expanded corporate social responsibility past just profits, starts his theory with whom he believes to be responsible for a corporation's purpose; the entrepreneurs of a corporation as opposed to current investors. Rather than being contradictory to the former argument that shareholders own a corporation, it just defines the type of corporation a shareholder is buying stock in *before* stock is bought. In acknowledgement that shareholders are the absolute proprietors of their own money, he argues that shareholding is voluntary and can be revoked upon disagreement with a corporation's practices.

This is an important distinction for his argument, as it implies that companies do have a requirement to take responsibility past profit as justified in the successful sale of stock in companies that promote such responsibility after the initial mission statement has been established. Although Mackey believes it is the

entrepreneurs of a corporation who define that corporation, he knows that it is the shareholders that must promote it for continued growth and success.

Mackey continues his argument by delving into the understanding of human potential. He argues that "To extend our love and care beyond our narrow self-interest is antithetical to neither our human nature nor our financial success. Rather it leads to the further fulfillment of both." He quotes Adam Smith on the additional aspects of human nature, besides that of self-interest, including sympathy, empathy, friendship, love, and the desire for social approval. He argues that corporate philanthropy is a good thing, but as it requires the "legitimacy of investor approval", pointing to these other aspects of human nature showcases where the need for expanded social responsibility comes from and shareholder investment justifies the accommodation for it in a corporation.

Milton Friedman challenges Mackey's idea by arguing that expanded social responsibility is just a means to the end that is greater profits. He begins his counterattack by quoting the one and the same Adam Smith Mackey used for his argumentative purpose.

"By pursing his own interest [an individual] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."

Friedman goes on to define his argument by saying that by devoting resources to exercising a social responsibility related to a corporation's bottom line, one is in fact directly working towards greater profits for that corporation, but instead, if unrelated social responsibilities siphon resources from a corporation, it would go out of business or exchange hands. He emphasizes that the actions of a corporation, although potentially resulting in by-products of goodwill and of additional social responsibility, are entirely justified by a corporation's own self-interest, albeit perhaps long-term. Friedman considers corporate social responsibility merely a marketing tool for corporations to utilize for means of expanding profits.

Friedman goes on to make a crucial distinction in regards to profit between a private and a social viewpoint. Although he says maximizing profits is an end from the private point of view, he says that it can be seen as a means from the social point of view. "A system based on private property and free markets is a sophisticated means of enabling people to cooperate in their economic activities without compulsion; it enables separated knowledge to assure that each resource is used for its most valued use, and is combined with other resources in the most efficient way." Of course, he notes that this is both "abstract and idealized", but just the same, defends the concept behind maximizing profit as the only social responsibility of a corporation.

In direct response to John Mackey, Friedman flatly disagrees with the former's claim that corporate philanthropy is a good thing. He argues that one cannot give reason as to how philanthropic spending can be supposed to do more good for society than investing that stream of profit in the enterprise itself or paying it out as dividends and letting shareholders dispose of it. Thus, he says, there's no argument for investing it outside of the corporation when one cannot assure the impact versus that of keeping funds internal. He further notes that the practice of corporate philanthropic spending makes sense only

because of tax laws in the United States whereby a shareholder can make a larger gift for a given after-tax cost if the corporation makes the gift on his or her behalf rather than going about it directly. Friedman does however say that this doesn't justify corporate charity, just notes good reason for eliminating the corporate tax or the deductibility of corporate charity. Neither government encouragement nor enforcement can substantiate corporate social responsibility; but simply allows for it as it is not the place of the government to enforce how its citizens choose to spend their money.

T.J. Rodgers too believes that a corporation's only social responsibility is to maximize profit, but he begins his argument by contradicting Mackey's view that the original founders of a corporation hold any claim to the power of determining a corporation's mission. He backs his assertion by pointing out that if a corporation falls on persistent hard times under the direction of its original founders, the investors will fire them.

Rodgers continues on to say that it is "simply good business for a company to cater to its customers, train and retain its employees, build long-term positive relationships with its suppliers, and become a good citizen in its community, including performing some philanthropic activity." However, he attributes this behavior to the end game of maximizing long-term shareholder value.

Rodgers concludes his argument for profit-only responsibility by pointing out the arbitrary way in which one could ever determine the most socially responsible way to spend money and resources. He argues that the philosophy of investing in outside philanthropic actions is objectionable, since who is to say that giving money to a worthy outside cause serves a higher moral objective than providing a good return to small investors? Rodgers remarks that it is uncalled for to assume that small investors who keep their money for their personal needs, such as retirement or a child's college fund, are somehow selfish versus when choosing to provide for corporate philanthropic donations.

Regardless of which stance one takes, it tends to only make sense that there is underlying agreement when it comes to whose decision it is to execute corporate social responsibility: the shareholders. It is accepted that corporate fiduciary duties exist to protect the shareholders and ensure that those employed by or representative of a corporation are acting in the interest of said corporation rather than their own interests or those of a third party. Granted, once one introduces the idea of "social responsibility", things do become more complicated to lay out, but, if nothing else, the decision making responsibility can be clearly defined as belonging to the shareholders.

Corporate executives, and all employees for that matter, are essentially employed to grow the fiscal assets of their shareholders. Their job is not to spend their customer's money without direction, regardless of what on, but rather they are entrusted with it under the understanding that the values of those whose money it is are protected.

When one becomes a shareholder, he or she invests money under the assumption that those with whom he or she's invested will look out for their interests. All corporations set out to make profit and increase the value of shares, but whether or not social responsibility should also be a part of a corporation's mission should come down to the shareholders.

When buying shares, one has the option to makes purchases based on whatever criteria they like. If one is solely interested in maximizing their profits, investing in a corporation whose mission is to do so then aligns with their beliefs. If one is looking to increase their fiscal assets while also allowing for a margin of profit to go towards certain social objectives than investing in an organization with such a mission is their choice. However, it is not the choice of executives whether or not to spend their customers' money after the fact.

Whether one believes in just maximizing profits or balancing profits with social charity, shareholders expect the representatives of their money to abide by the terms of their initial investment, else corporations should resolve to the fact that their shareholders will sell.

Similarly, government mandated responsibility goes against the freedoms deserved by and provided for the citizens of this country, and moreover, undermines the charitable and compassionate nature of human beings. All citizens of the United States have the right to choose to determine their own level of social responsibility and whether or not to live up to it.

[1]Donway, Roger. "Do Shareholders "Own" a Corporation?." *Atlas Society's Business Rights Center*. 2012: Web. 4 Oct. 2012. <http://www.atlassociety.org/brc/shareholders_owners_corporation

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